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ROMA BANK

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November 4, 2005

John F. Carter, Regional Director
Federal Deposit Insurance Corporation
San Francisco Regional Office
25 Jessie Street at Ecker Square, Suite 2300
San Francisco, CA 94105

Re: Application of Wal-Mart Bank for FDIC Insurance

Dear Mr. Carter:

Roma Bank would like to join with America's Community Bankers, the American Bankers Association, and the Independent Community Bankers of America in expressing opposition to the application of Wal-Mart for FDIC insurance and the establishment of an industrial bank or industrial loan company charter (ILC).

The basis for our objection is set forth in a letter to FDIC Chairman Powell, a copy of which is enclosed. For the reasons enunciated in our comment letter to Chairman Powell, we encourage the FDIC to reject the Wal-Mart application. We are deeply concerned that, in addition to serious public interest questions, the application at bar is in violation of the Gramm-Leach-Blilley Act of 1999.

Thank you.

Sincerely,

Barry J. Zadworny
Senior Vice President

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strength ▪ loyalty ▪ wisdom ▪ vision

ROMA BANK

November 4, 2005

The Honorable Donald E. Powell, Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Re: **Comments Regarding Wal-Mart Application for Insurance and Industrial Bank Charter**
FDIC Application #20051977

Dear Chairman Powell:

Roma Bank, a $795 million wholly-owned subsidiary of Roma Financial Corporation, MHC, based in Mercer County, New Jersey appreciates the opportunity to comment on the application of Wal-Mart Stores, Inc. for FDIC deposit insurance, and to establish a Utah industrial bank or industrial loan company charter (ILC). Roma Bank opposes the application, and encourages the FDIC to deny the application. Roma Bank also encourages the FDIC to conduct a public hearing on the application, with focus on the serious public policy issues, which will be explained in this letter.

In writing this letter, Roma Bank joins with the Independent Community Bankers of America and America's Community Bankers in opposing the Wal-Mart application. It is our position, based upon the reasons cited in this letter, that there are ample grounds for the FDIC to deny Wal-Mart's application for the establishment of an ILC.

The Wal-Mart Application Failed Past Attempts to Enter the Banking Business

Wal-Mart's current business plan for the ILC is narrowly described as providing back office processing of credit card, debit card and electronic check transactions in its Wal-Mart store.

While the application itself is narrowly drawn, Wal-Mart has had a well-publicized mission to get into the banking business despite the existing legal and regulatory barriers established on long-held public policy grounds to prevent the full

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blown mixing of banking and commerce in our nation. Wal-Mart's repeated past attempts to gain a foothold in banking and combine full-service banking with its retail operations on a nationwide basis give rise to skepticism about its current narrow business plan.

In 1998, Wal-Mart attempted to purchase a small unitary thrift institution in Broken Arrow, Oklahoma. The Congress shut down this back-door approach for a commercial firm to enter the banking business when it passed the Gramm-Leach-Bliley Act of 1999 (hereinafter referred to as the "GLB"), and reaffirmed our nation's policy of separating banking and commerce by closing the "unitary thrift holding company" loophole and prohibiting commercial firms from owning or acquiring savings associations (as they are prohibited from owning banks).

Wal-Mart later sought to enter banking through an arrangement with Toronto-Dominion Bank USA ("TD Bank") to offer banking services in 100 Wal-Mart stores. This attempt was blocked by the Office of Thrift Supervision (the OTS), which objected to Wal-Mart's plan to share profits with TD Bank and have its retail store employees perform banking transactions for TD Bank in their stores. The OTS found such an arrangement would give Wal-Mart illegal control over TD Bank USA, circumventing the GLB prohibition on a commercial firm becoming a savings and loan holding company.

Lastly, Wal-Mart sought to purchase a small California industrial bank in 2002. In the face of Wal-Mart's application, the California legislature blocked the application by passing a law prohibiting commercial firms from owning ILCs.

Conflict of Interest Inherent in Mixing Banking and Commerce

<u>The linchpin of the financial and economic system of the United States is the principle of the separation of banking and commerce</u>. This tradition has resulted in the most vibrant, successful, and diversified economic and financial system in the world. The walls separating banking and commerce prevent conflicts of interest and undue concentration of resources, and ensure the impartial allocation of credit so vital to economic growth and development and to a safe and sound financial system.

Numerous small towns and communities have experienced the devastating loss of locally-owned and operated retailers, and disinvestments after Wal-Mart establishes a retail store either within or on the outskirts of a town. In essence, the Wal-Mart retail store becomes the new "downtown" once the community is depleted of viable competitors. We fear that long-established retail firms, many of which have been family-owned for decades, will be shuttered, causing a once-vibrant community to possess scores of vacant stores and retail space.

Because of this common history and experience of many communities, Roma Bank urges the FDIC to consider what will happen to credit availability and customer and community service when the Wal-Mart ILC siphons deposits from locally-owned and operated community banks and thrift institutions. This will impair the ability of the existing local financial institutions to continue to support economic growth and development in their communities through the extension of mortgage and consumer credit.

Impact on Consumers and Community Development

Consumers and households will be ill-served by a Wal-Mart ILC. If the past is prologue, local banks and thrifts, just like the local retailers in towns where a Wal-Mart ILC is located, will no longer be able to compete. While the initial effect may be cheaper services at the Wal-Mart ILC, the long-term effect will be reduced choices for consumers as untold numbers of financial service providers will be driven from the marketplace.

A Wal-Mart ILC will not be able to look at factors beyond a consumer's credit score when assessing a mortgage credit application. The Wal-Mart ILC will not understand the customer's individual circumstances, and will disregard the long-standing relationship and personal knowledge of the customer, something that banks and thrift institutions do every day.

Additionally, there is the danger that a Wal-Mart ILC will export deposits out of the local community. This has been the current pattern of the large retailer when it established itself in a local community. The retailer's deposits do not stay with local banks, but rather are transferred to the store's central headquarters. This pattern in the past has had a devastating effect on local communities as retail dollars spent in the community are exported elsewhere and do not remain in the community to support local lending and community/economic development.

Safety & Soundness Concerns, and Holding Company Supervision

The Wal-Mart application also illustrates that the affiliation of banks and nonbanking companies presents conflicts of interest, along with safety and soundness concerns. Federal Reserve Board Chairman Alan Greenspan has repeatedly argued that the mixing of banking and commerce presents safety and soundness concerns, and also poses the specter that the federal safety net protecting depositors of insured institutions will spread to non-depository affiliates, thereby introducing additional risks to the FDIC insurance fund, and also the American taxpayers.

It is our belief that financial trouble in one part of an organization can spread rapidly to other parts. To protect an FDIC-insured bank that is a part of a larger organization, a supervisor needs to have the authority and tools to understand that risks that exist within the parent organization and its affiliates and, if necessary, address any significant capital, managerial, or other compliance deficiencies before they pose a danger to the bank.

<u>Walt-Mart's enormous size make these considerations and the risk posed to the FDIC insurance fund more acute.</u>

Summary

For the reasons stated herein, Roma Bank encourages the FDIC to reject Wal-Mart's application for FDIC insurance of accounts for its proposed ILC. The application at bar, along with the ILC loophole, represents serious public policy issues. As such, we believe a public hearing is warranted to allow adequate public comment.

The factors of concern to us (i.e., conflicts of interest; economic concentration; community disinvestments; lack of impartial credit decisions; inadequate holding company supervision, and inappropriate extension of the federal safety net) are amplified by Wal-Mart's size and market clout. The threat of diversion of community-based deposits is particularly acute in this case because of Wal-Mart's track record and destructive impact in hundreds of communities across the United States.

In 1999, Congress understood the need for upholding our nation's long-standing principle of separation of banking and commerce when in enacted the GLB. The GLB is the underpinning for our stable and highly successful economic and financial system, and should not be allowed to be skirted by one of the world's largest financial companies.

We trust the FDIC, acting in the best interest of the public, will agree that there are valid safety and soundness issues, conflict of interest concerns, and serious economic/financial issues attendant to the application at bar. We believe that the facts brought out by any public hearing scheduled by the FDIC will demonstrate that Wal-Mart's application not only is contrary to the GLB, but it presents more public harm than good.

Sincerely,

Barry J. Zadworny

Barry J. Zadworny
Senior Vice President